

## Message Text

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11  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 SAM-01

EB-07 AID-05 TRSE-00 OMB-01 SIL-01 /074 W

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R 061724Z AUG 76

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TO SECSTATE WASHDC 6700  
INFO AMEMBASSY LONDON  
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AMEMBASSY DUBLIN  
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AMEMBASSY BRUSSELS  
AMEMBASSY LISBON  
AMEMBASSY COPENHAGEN  
AMEMBASSY STOCKHOLM  
AMEMBASSY OSLO  
USMISSION NATO  
USMISSION EC BRUSSELS

C O N F I D E N T I A L MADRID 6069

E.O. 11652: GDS  
TAGS: PINT, SP  
SUBJECT: THE PROCESS AHEAD--A VIEW FROM WITHIN THE GOVERNMENT

1. JOSE MANUEL OTERO, NEWLY APPOINTED TECHNICAL UNDER-  
SECRETARY FOR THE PRESIDENCY, GAVE EMBOFFS SOME INSIGHTS  
AUGUST 5 ON THE CURRENT THINKING IN THE GOS. OTERO  
PREVIOUSLY WORKED FOR FRAGA AS DIRECTOR GENERAL FOR  
POLITICAL AFFAIRS IN THE MINISTRY OF INTERIOR, BUT HE  
IS A TACITO MEMBER RATHER THAN A "FRAGA MAN", THOUGH HE  
RESPECTS FRAGA WHO ENCOURAGED HIM--CONTRARY TO OTERO'S  
EXPECTATIONS--TO TAKE THE NEW JOB. HE WILL LIKELY PLAY  
A CONSIDERABLE ROLE IN STAFFING PLANS FOR POLITICAL  
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REFORM AND IN SUB-CABINET DIALOGUE WITH THE OPPOSITION.

2. OTERO SAID HE WAS PLEASED WITH THE DIRECTION OF THE NEW GOVERNMENT, PARTICULARLY SINCE MANY OF THE POLICIES HE HAD BEEN ADVOCATING HAD BEEN ADOPTED. HE SAID THE NEW GOVERNMENT IS COHESIVE AND RESPONSIVE. HE WAS PARTICULARLY SATISFIED WITH THE SCOPE OF THE RECENT AMNESTY. OTERO, WHO HAD BEEN ON THE GALICIA TRIP, ADDED THAT KING JUAN CARLOS WAS ALSO HAPPY WITH THE NEW GOVERNMENT AND PLEASED EVEN "BEYOND EXPECTATION" WITH PRESIDENT SUAREZ, WITH WHOM HE HAD AN OBVIOUSLY COMFORTABLE RELATIONSHIP.

3. OTERO SPOKE OF THE POLITICAL IMPERATIVES THAT RESTRICTED THE GOS' ABILITY TO FOLLOW CLASSIC ECONOMIC APPROACHES IN DEALING WITH THE INFLATIONARY PROBLEM. CONSEQUENTLY HE REJECTED DRAMATIC MEASURES, THOUGH HE THOUGHT THE GOVERNMENT SHOULD DO WHAT IT COULD TO LIMIT INFLATION AND SHOULD LIMIT ITSELF TO SELECTIVE MEASURES TO STIMULATE THE ECONOMY, RATHER THAN ENGAGE IN FULLY STIMULATIVE MEASURES THAT WOULD ONLY ADD TO INFLATION. HE SAID SOME KIND OF A "SOCIAL PACT" WAS NECESSARY TO KEEP THE LABOR SITUATION FROM GETTING OUT OF HAND IN OCTOBER.

4. OTERO CONFIRMED THE GOS HAD NOT DECIDED HOW TO APPROACH THE UPCOMING REFERENDUM, BUT WAS INFACIT STUDYING ALTERNATIVES, HAVING WORKED ON THE ELECTORAL LAW BEFORE, OTERO NOTED THAT THIS FOLLOWED THEREFERENDUM BUT WOULD BE A KEY FACTOR IN CONSTRUCTING A WORKING DEMOCRACY. HE, OF COURSE, OPPOSED PRO-PORTIONAL REPRESENTATION FOR THE OBVIOUS REASONS (E.G., STIMULATING THE PERSISTENCE OF MINI-PARTIES), BUT PERSONALLY WAS OPPOSED TO THE FRAGA IDEA OF SINGLE MEMBER DISTRICTS, THOUGH HE THOUGHT THE WEIGHT OF OPINION STILL FAVORED THAT OPTION. INSTEAD HE WOULD PREFER ELECTION OF REPRESENTATIVES, ON THE MAJORITY PRINCIPLE, BUT FROM PROVINCE-WIDE LISTS. (THE ARGUMENT HERE BEING THAT PROVINCE-WIDE LISTS WOULD BE MORE ATTUNED TO DEALING WITH REGIONAL ISSUES, AND MIGHT HELP DEPRIVE THE PCE OF OPPORTUNITY TO PARTICIPATE IN COALITIONS IN RUN-OFF ELECTIONS.)

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5. WITH REGARD TO THE PCE, OTERO HAD ORIGINALLY FAVORED EARLY LEGALIZATION, BUT NOW BELIEVES IT WOULD BE AN ERROR UNTIL AFTER THE FIRST ELECTIONS. HE CITED THE ITALIAN CASE IN SHICH THE ANTI-FASCIST CREDENTIALS OF THE PCE AND THE IMMEDIATE ENTRANCE INTO THE POLITICAL GAME PROPELLED THEM INTO AN IMMEDIATE ADVANTAGE OVER THE SOCIALISTS. HE STRESSED THE NEED FOR A STRONG, RESPECTABLE AND UNITED SOCIALIST PARTY IN ORDER TO PROVIDE A STRONG

ADVERSARY TO THE PCE IN THE LEFT SECTOR. IN THIS RESPECT, THE NEW GOS HAD BEEN QUITE SUCCESSFUL IN ITS INITIAL EFFORTS OF DIALOGUE WITH THE DEMOCRATIC LEFT. HE ADDED THAT THE GOS ALSO SOUGHT DIALOGUE WITH THE RIGHT, PARTICULARLY THE OLD REGIME FORCES IN THE CORTES.

6. OTERO BELIEVES THAT A STRONG POLITICAL CENTER IN SPAIN CAN BE FORMED, A NON-CONFESSIONAL PARTY WITH A CONSIDERABLE INFUSION OF CHRISTIAN DEMOCRATIC THINKING. THIS PARTY WOULD HAVE BOTH A LEFT AND A RIGHT-WING, THUS ENDING THE DILEMMA OF WHETHER CENTER PARTIES WOULD BE EITHER CENTER RIGHT OR CENTER LEFT, A COMMON ARGUMENT IN SPAIN. HE EXPRESSED OPTIMISM THAT IT COULD BE DONE, NOTING THAT THE FORMATION OF TACITO TOOK PLACE ONLY AFTER MANY FAILURES, A PROCESS THAT WAS NOW BEING REPEATED IN RESPECT TO A FORMATION OF A VIABLE POLITICAL CENTER.  
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